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CENTRAL INTELLIGENCE AGENCY  
WASHINGTON, D.C. 20505

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December 1974

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MEMORANDUM FOR: Mrs. Ann Reid, INR/RAA  
Room 7528A  
Department of State

SUBJECT: Transmittal of OER's Comments on Somalia's  
Potential for Menacing Its Neighbors.

1. In response to your request, we are transmitting a  
short piece on economic constraints for incorporation  
in your draft of an interagency memorandum on East Africa.

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2. Queries concerning the attached contribution  
should be directed to

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Attachment:  
As stated above

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Potential for Menacing Its Neighbors

Distribution: Orig. & 1 - Addressee

1 - DD/OER, D/OER, & SA/ER

1 - D/D

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1 - *SHF/C*

(20 December 1974)

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OER/D/NE:

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Economic Constraints on Somalia's Potential  
for Menacing Its Neighbors

Somalian military capability is not derived from the primitive economy but from foreign support -- the USSR being the major supplier with Italy, the UAR and the UK contributing small quantities of materiel.

Economic considerations are unlikely to affect the ability of the military to take action in the Ogaden or elsewhere. The task of moving men and equipment over trackless areas remains difficult. The lack of food and fuel and the recent rise in cost require some administrative manipulation but do not preclude action.

Somalia's dismal economic situation fosters widespread discontent. Urban unrest can threaten the stability of the government and affect its economic policies. The government when contemplating military action must assess the need to cope with discontent produced by economic conditions but such consideration is more likely to set outside limits for action, rather than preclude it.

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Somalia has a stagnant, poverty level economy. About two-thirds of the people are nomadic herdsmen, and 20%, subsistence farmers. Food has had to be imported even in years of good harvest. Cultivated land is only 1% of the total, and only 13% is deemed suitable for agriculture.

The small size of the private sector, the lack of an industrial base and the paucity of technology stand in the way of progress. Minerals that give hope to other African countries have not been found in Somalia. Although petroleum could transform the economy, for 20 years it has only been an area of tantalizing exploration. About 5% literate, the people lack the skills of a modern economy. Infrastructure is inferior. Potential for economic progress exists in hydroelectricity and in fisheries (Somalia has the longest coastline in Africa), but development of these resources has not been pursued vigorously.

With foreign exchange earnings limited to little more than cattle exports to neighbors and banana sales to Europe, the country relies on foreign governments for capital -- at one time from colonial powers and, since independence, from aid donors.

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### The Current Economic Situation

Recently, Somalia has been subjected to an eastward shift of the drought that brought world attention to the countries of the northwest Sahel region. Somalia has declared an emergency. Well over 100,000 people are in refugee camps, and an official spokesman estimates one-third of the population of 3 million will be in refugee camps or otherwise dependent on the government for sustenance by late 1975. Also, like all non-oil producing countries, Somalia suffers from the staggering increase in the cost of imported fuels and foodstuffs. Urban residents face a rise in the prices they pay for electricity and imported foods. In rural areas the populace depends on paraffin lamps. Throughout the economy, transport costs have risen because of the increase cost of fuel.

CIA/OER  
19 December 1974

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